

97-84003-8

Bartlett, Adolphus Clay

Banking reform as seen by
the commercial interests

Chicago

[1911]

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308	Bartlett, Adolphus, Clay, 1844-
Z	Banking reform as seen by the commercial in-
Box 19	terests; an address delivered before the Western economic society... November 11, 1911; distri- buted by the National citizens' league ... [Chicago, 1911?] 7 p.

Only Ed.

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TECHNICAL MICROFORM DATA

FILM SIZE: 35mm

REDUCTION RATIO: 11:1

IMAGE PLACEMENT: IA IIA IB IIB

DATE FILMED: 1-14-97

INITIALS: PB.

TRACKING #: MSH 20321.

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BIBLIOGRAPHIC IRREGULARITIES

MAIN ENTRY: Bartlett, Adolphus Clay

Banking reform as seen by the commercial interests

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TRACKING#: MSH20321

THE NATIONAL CITIZENS' LEAGUE

FOR THE PROMOTION
OF A SOUND
BANKING SYSTEM

Banking Reform
as Seen by the
Commercial Interests

By
A. C. Bartlett

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123 West Jackson Boulevard CHICAGO, ILLINOIS

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Wisconsin, W. H. HATTON, New London

And others to be named

**Banking Reform as Seen
by the Commercial
Interests**

An Address

Delivered before the Western Economic Society

By

A. C. Bartlett

Hibbard, Spencer, Bartlett & Co.

November 11, 1911

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CHICAGO

29 May 1915 MS.

BANKING REFORM AS SEEN BY THE COMMERCIAL INTERESTS

The fact that banks are established and maintained, not alone for the profit of stockholders, but for the convenience and benefit of their patrons—the people—as well, gives any citizen a standing in this discussion.

There is a well-nigh universal demand by the intelligent citizens of this country for an improved banking system—a system that shall uphold and strengthen, rather than undermine and weaken, credits when they, in their strength, are most needed—a demand which is emphatic in times of business depression, and vigorously so in times of panic. And yet, because our people, as a whole, have financially prospered under the antiquated system inaugurated nearly fifty years ago, there are conservative and timid members of the body politic who are apprehensive and fearful whenever any change in our plan of banking, or in the issue of a circulating medium, is suggested. They recall the history of the Bank of the United States, which was established early in the nineteenth century, and of its comparatively short, but eventful, career, and they fear that the present movement is in the direction of a central bank—notwithstanding the fact that no one advocates such an institution, and that anything approximating a central-bank plan is bitterly opposed by all who are now giving expression to their convictions upon this phase of the problem. Or, they remember the greenback craze which carried off their feet some of our best-disposed citizens, and they point to what would have been the inevitable result had the National Government undertaken to relieve financial stringency by grinding out unlimited quantities of mythical money. They have not forgotten the time when idealists advocated the free coinage of silver, upon the assumption that it would assure the laboring man good wages, the farmer dollar wheat, the manufacturer or the merchant ample currency with which to transact

his business, and every man, woman and child in the land a comfortable living. They are satisfied and contented (as are we all) with the unvarying and stable quality of the national currency now in use, and not only dread the attempt to put any new modern theories into practice, but pessimistically prophesy disaster and failure if the attempt is made.

In other words, there is little, if any, dissent from the opinion that our banking system is not abreast of the times in which we live, and that scientific legislation, which shall recognize the changed conditions that have come with the growth of our country and its business, is sorely needed. The main question is: What shall be the character and scope of this remedial legislation, and what laws can be enacted which shall do no violence to the practical and desirable features of the present system—laws which shall safeguard the banks of the country, large and small, and the interests of their customers, rich and poor alike, against the dominion of that combined money power which, for the sake of brevity and convenience, is usually called "Wall Street"—laws which shall legalize a coöperation of banks in sustaining the general credit, and which shall provide, in combination with that credit, a currency sufficiently expansive in its quality to meet the requirements of bountiful harvests and large manufactured products, and possessing a power of contraction that shall in less prosperous times automatically reduce its volume to a point which shall discourage extreme and disastrous speculation. If, with the growth of population, the almost spontaneous expansion of business and the enormous increase of wealth in this country, we are incapable of devising and constructing the new and improved machinery essential to the conservation of our vast resources, and the conduct of our greatly-augmented financial affairs, ours is not the nation of real progress of which we are so prone to boast. It is high time we had discarded the old millstones which served to grind the grists of other days and substituted therefor a modern, up-to-date equipment. Our people are certainly equal to the task.

From a business man's standpoint, there should be called into being an association of banks whose coöperation would make the association a bulwark of strength in times of financial disturbance, and an equalizer of burdens and benefits in the business world in times of financial quiet. Its coöperation would extend to the protection of the gold reserves of all the banks constituting its membership. The association must be safeguarded against political intrigue or influence, on the one hand, and individual or corporate greed, on the other. Above all, there must be no depreciation in the quality of our currency. Necessarily, such an association would be country-wide, not only in its influence, but in its membership—a membership embracing national and state banks and trust companies. It would be a great system, with its integral parts gathered into local branches, the representatives of these branches (together with the representatives of the Federal Government) forming or electing the controlling power or head, the whole being under the supervision of the Federal Government.

In such an association would be massed the credit of all corporations and of all individuals who had credit dealings with any members of the association; and the strength of that combined credit would be at the service of all the people. The manifest strength of this combined credit would beget a confidence which could not be shaken by any financial disturbance.

The association might be made a national clearing house, with all the necessary attributes and functions of our present clearing houses, and clothed with any additional powers which might be desirable. It *would* be a national pawnshop for bankers, at which, within its rules, no good merchantable commercial note, properly certified and endorsed, would ever be refused, and in which the rates of interest would be uniformly low, thereby insuring the commercial world and its customers against financial distress not occasioned by their own acts. The recognition, by the association, of commercial notes, only, as collateral to loans made to its members, would place Wall Street and its speculators upon a

financial basis of their own—separated from the foundations underlying legitimate business. When conditions are normal, there is less direct menace to commerce from Wall Street than there was ten or twenty years ago. Stocks go up and down in price, scarcely attracting the attention of the uninterested public. But when conditions are abnormal, when stocks and bonds have been hypothecated to furnish money with which to encourage the issue of other stocks and bonds, and the latter have gone through a similar process of hypothecation to provide funds for a like purpose, and so on until there is only a small residue of the original sum of money remaining—in other words, when speculation is rampant—the whole country is on the brink of disaster because money or undoubted credit must be provided by the banks and financiers to keep the cardboard structure which Wall Street has erected, from complete collapse. If there can be a source of supply to which Wall Street has no direct access, a commercial panic will be as unknown in this country as it is in the leading commercial countries across the sea. In his recent address at Springfield, Illinois, Mr. J. J. Hill evidently did not take into consideration the fact that a line of demarcation between Wall Street and the real commercial world can be drawn.

A control of the association through ownership of a majority of bank stocks by a combination of money kings must be made impossible; otherwise, the association would unquestionably become a central bank of the most objectionable character, and come to as untimely an end as did the Bank of the United States in Andrew Jackson's day. Our currency must be kept "as good as gold."

The National Monetary Commission, after years devoted to the study, both in this country and in Europe, of questions relating to an improved banking system, will in a few months report, at Washington, its conclusions. Following the submission of that report, there will undoubtedly be presented to Congress numerous bills, each embodying a somewhat different plan for the

improvement of our banking system. In anticipation of the Commission's report, and the resultant Congressional bills, a number of business men residing in the various states—East and West, North and South—deemed it advisable to form an association in which, and through which, all classes of citizens can freely and frankly discuss the important questions involved, for the information of themselves and of all others who evince an interest in the subject.

The National Citizens' League for the Promotion of a Sound Banking System has been organized in many of the states, and will shortly be organized in the remaining states and the territories. The discussion has already begun. The League has no plan of its own, but will, through its large membership, encourage the passage by Congress of the bill which shall seem to present the best and most practical plan. It is a league without a party, and its friends are confident that its efforts will be of service to *all* the people.

THE OBJECTS TO BE ATTAINED

The National Citizens' League for the Promotion of a Sound Banking System, under whose auspices this address is published, has no bill of its own; it is open to suggestions from any source. But it presents the following objects to be attained, which it hopes to have incorporated into law:

1. Coöperation, not dominant centralization, of all banks by an evolution out of our clearing-house experience.
2. Protection of the credit system of the country from the domination of any group of financial or political interests.
3. Independence of the individual banks, national or state, and uniform treatment in discounts and rates to all banks, large or small.
4. Provision for making liquid the sound commercial paper of all the banks, either in the form of credits or banknotes redeemable in gold or lawful money.
5. Elasticity of currency and credit in times of seasonal demands and stringencies, with full protection against over-expansion.
6. Legalization of acceptances of time bills of exchange, in order to create a discount market at home and abroad.
7. The organization of better banking facilities with other countries, to aid in the extension of our foreign trade.

You may become a member of the League upon payment of one dollar. The proceeds of this membership fee will be devoted exclusively toward defraying the expenses of the campaign. All remittances should be made to

THE TREASURER,
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